

(Teleconference)
MINUTES
Highway Expansion and Extension Loan Program

Advisory Committee Meeting
1739 West Jackson Street, Modular A
Phoenix, AZ
April 2, 2005

Committee Members Present:

John McGee, Chair
David Felix
Lela Steffey

Jim Glock
Paul Schwartz
Michael Anderson – Teleconference

Members Absent:

Victor Mendez
William Gray Beyer

Others Present:

Val Carrola, ADOT
Steve Schaefer, ADOT

Call to Order

The meeting was called to order by Mr. John McGee at 10:07 a.m. A quorum was present. Members and staff introduced themselves and gave a brief history of their involvement in transportation.

Adoption of Minutes

Mr. McGee noted a correction to the last paragraph on page 2 changing RAPP to RAAC, and at the top of page 3, stating Mr. Potts made the comment about funding local projects in rural communities.

Action: A motion to approve the Minutes of the November 8, 2004 meeting as amended was made by Mr. Felix, seconded by Mr. Schwartz and passed unanimously.

Prior Business

Mr. McGee reported the Transportation Board approved loans for the Town of Marana and the I-10 project in the Pima Region at its November meeting.

New Business

Cash/Loan Status Report

Mr. McGee stated the cash balance of the fund, as of March 2005, was \$100,492,708. He said 45 loans have been made to date, totaling \$508.9 million. He said Arizona continues to rank in the top three or

four on FHWA's list of Federally Chartered State Infrastructure Banks in the country in terms of number of loans made, dollar value of loans made and actual cash disbursements.

Mr. Felix asked if a draw had been made in the note for the Six Shooter Bridge project. Mr. Schaefer responded no, explaining the Six Shooter Canyon Road project took a \$600,000 draw, but the Bridge project is awaiting final reports and clearance from FEMA.

Ms. Steffey asked for an explanation of the General Fund reversion. Mr. McGee explained that in 2000 the legislature appropriated \$60 million of General Fund monies to fund the HELP program. He said the monies were to be appropriated in three \$20 million pieces, with the first appropriation in 2001, the second in 2002 and the third in 2003. He said the first \$20 million allocation came in, but September 11 happened and subsequent downturn in the economy placed the General Fund under a fair amount of stress. He stated the legislature took two actions, they rescinded the last \$40 million appropriations and gave ADOT an additional \$40 million of Board Funding Obligation capacity. He stated the General Fund was still experiencing a significant amount of stress in 2002 and 2003 so the legislature took back the \$20 million it had given in 2001. He said, while it was disappointing, the Legislature did not feel it had a lot of alternatives. He stated, in lieu of the revenue they gave the Board additional BFO capacity. Ms. Steffey expressed concern that continued reversions could put them out of the business.

HB2123

Mr. McGee explained the program's cash balance is as high as it is because one of the major funding sources, BFO authority, was due to expire in 2008. He said they built up their cash balances so that by 2008 they would have \$140 million to pay them off. He stated the Legislature, through HB2123, extended that authority through 2026, noting the legislation was very popular in both houses and was signed by the Governor. He noted Board Funding Obligations represent about two-thirds of the fund's total capitalization. He said the extension will allow them to start making loans again in the upcoming fiscal year.

Distribution of Future HELP Capacity

Mr. McGee referenced information included in the Committee's packet related to the proposed recommendation for the allocation of future HELP loan capacity. He explained part of the enabling legislation when the program was originally enacted in 1998 set in statute a specific allocation of HELP loan capacity to the three major regions of the state, MAG, PAG, and TOC. He said the legislation required that, through December 31, 2004, 50 percent of all dollars loaned had to be loaned for projects in Maricopa County, 25 percent had to be loaned for projects in Pima County and 25 percent had to be loaned for projects in the thirteen other counties. He stated, as of December 31, 2004, they met those requirements with \$253.0 million loaned to MAG, \$129.4 million loaned to PAG and \$126.5 million loaned to TOC. He explained part of the rationale behind the percentages was the driving desire to accelerate the MAG regional freeway program, stating the estimate at that time indicated \$300 million in loans from the HELP program would be needed. He said the enabling legislation was intended to give MAG the \$300 million needed to accelerate the program, with the remaining 50 percent split evenly between the PAG and TOC regions. He said the HELP loan program made only \$500 million in loans because of the one year moratorium, but the amount loaned to MAG totaled only \$253 million rather than the anticipated \$300 million. He stated, in addition to the expiration of the statutory requirement that loan proceeds be divided among the three regions, the regional freeway program acceleration is on track and MAG has enacted an extension of their half-cent sales tax which is expected to bring a significant amount of money into the freeway program over the next 20 years. He said the MAG region will have significant resources and funding acceleration capabilities for the next four or five years since they can now borrow

against the new half-cent sales tax. He stated the legislature has not directed the Board with regard to future loan capacity; therefore, they as a Committee need to make a recommendation as to how the loan capacity should be distributed. He said, staff calculated the amount of loan capacity they believe will be available over the next five years and are recommending the Board adopt guidelines that the loan capacity be allocated among the regions on the same basis as the allocation of its Discretionary Five-Year Highway Construction Program. With TOC receiving 50 percent, MAG receiving 37 percent and PAG receiving 13 percent. He said the recommended allocation levels were arrived at through negotiations by representatives of the three regions using the RAAC process and the RAAC allocations were determined to represent relative equity in the overall distribution of funds and programs among the three regions. He said, based on staff's recommendation, TOC would receive approximately \$175 million, MAG would receive about \$129.5 million and PAG would receive approximately \$45.5 million.

Ms. Steffey said, while the recommendation makes sense, she does not necessarily agree with it. Mr. McGee explained the intention of today's discussion is to apprise the committee of the facts and to open the issue up for discussion.

Mr. McGee said staff further recommends the recommended capacity distribution be for the entire period through FY 2010, not specifically on a year-by-year basis, but that staff continue to monitor the relative distribution of loans among the three regions to ensure no region's cumulative loan distribution is significantly in excess of the five-year guidelines. He stated loan applications will continue to be accepted on a "first come, first served" basis, with preference given to non-ADOT loans and shorter-term versus longer term loans, with no loans for greater than five years. He noted no applications were turned down because there was not enough funding capacity to make a loan, however, toward the end of 2004 they did place a couple loan requests from the Thirteen Other Counties on hold because the total capacity for that region had been reached.

In response to Mr. Glock's question, Mr. McGee said the loans that were placed on hold were a \$2 million application from Flagstaff and a \$5 million application from Kingman. Mr. Schaefer noted Kingman resubmitted documentation to reduce the loan amount requested.

Mr. McGee stated they have not yet had capacity issues, but if the program gets more popular they may have to set up a process similar to the Greater Arizona Development Authority. He explained, under that type of process, applications would be recruited and then compete against one another for funding.

Mr. Glock said he likes tying the allocation to the Resource Allocation Advisory Committee because the committee looks at programs on a statewide basis. He said he also supports making the recommendation a guideline as opposed to a hard-and-fast requirement because it will give ADOT and the Committee some discretion on how to allocate funds. He stated PAG will hopefully have a half-cent sales tax as well, but he believes they should look at additional funding sources if the allocation percentages become problematic. He commented under the previous requirements PAG had to look for projects to fund rather than limit their requests to only legitimate projects. Mr. McGee agreed, stating the statutory requirements limited their ability to make loans in the TOC region while the PAG region had to scramble to find projects to fund. He said making their recommendation a guideline would give the Board the ability to adjust the allocation percentages if necessary. He said the federal government and state government are the only funding sources available to the program and he questions how successful they would be in trying to obtain state funding.

Ms. Steffey said, based on their past success, she will support staff's recommendation. Mr. McGee said if he gets consensus from the Advisory Board he will put together a resolution to the Board outlining the

proposed allocation percentages as a guideline. He expressed his opinion the Board does a great job of allocating resources where most needed.

Mr. Schwartz commented, based on his experience, people do not give much weight to guidelines. Mr. McGee reiterated staff will continue to monitor distributions to ensure no one region's cumulative loan distribution is significantly in excess of the five-year guidelines. Mr. Schwartz asked if loans have been made to every county. Mr. McGee responded no, stating they have not made any loans to Greenlee County because they have not yet come up with a project.

Action: A motion to approve staff's recommendation was made by Mr. Glock, seconded by Ms. Steffey and passed unanimously.

Mr. McGee said they will make a formal resolution at the May 8 Board meeting.

Ms. Steffey left the meeting at 11:22 p.m.

Consideration of Loan Applications

Pima County: Alvernon Way, River Road to Fort Lowell road Project, \$4,836,000

Mr. Schaefer reviewed the application, explaining the primary reason to accelerate the project is to better coordinate with and accommodate the construction of River Road. He said the loan was also viewed favorably because of its three year term.

Mr. McGee explained the makeup of the Technical Committee and scoring process.

Action: A motion to approve the above loan application was made by Mr. Glock, seconded by Mr. Schwartz and passed unanimously.

Next Regular Meeting


Mr. McGee stated they will begin working with Flagstaff and Kingman on their pending loans once the Board takes action on the allocation recommendation. He said the Committee's next meeting will be predicated upon those two loans.

Call to the Public

No comments were made.

Adjourn

Meeting adjourned at 11:27 p.m.



John McGee